Rubicon Organics Inc.

Management's Discussion & Analysis

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

Preface

In this Management's Discussion & Analysis ("MD&A"), "Rubicon Organics", "Rubicon", the "Company", or the words "we", "us", and "our" refer to Rubicon Organics Inc. together with its subsidiaries.

This MD&A comments on our operations, financial performance, and financial condition for the fiscal year ended December 31, 2021. All amounts in this MD&A are in Canadian dollars, unless otherwise noted. It is supplemental to and should be read in conjunction with the Company's audited consolidated financial statements including the accompanying notes for the fiscal year ended December 31, 2021 (the "Financial Statements").

All financial information contained in this MD&A and in the Financial Statements is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, except for certain non-GAAP information as noted and where a reconciliation to IFRS is provided.

In preparing this MD&A, we have considered all information available to us up to April 18, 2022.

This MD&A contains forward-looking information within the meaning of Canadian securities laws. Refer to '*Cautionary Note Regarding Forward-Looking Statements'*.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Additional information regarding the Company is available on our website at www.rubiconorganics.com or through the SEDAR website at www.sedar.com.

About Us

Overview

Headquartered in Vancouver, British Columbia, Rubicon Organics Inc. exists under the laws of the Business Corporations Act (British Columbia) and its common shares are listed under the symbol "ROMJ" on the TSX Venture Exchange and under the symbol "ROMJF" on the OTCQX.

Rubicon Organics, through its wholly-owned subsidiary Rubicon Holdings Corp., is a licensed producer under the Cannabis Act focused on providing premium organic certified cannabis for the recreational and medical-use markets in Canada. Rubicon Organics owns and operates a fully licensed 125,000 square foot high-tech greenhouse located on a 20-acre property in Delta, British Columbia (the "Delta Facility"). Out of its Delta Facility, the Company grows organic cannabis certified by the Fraser Valley Organic Producers Association ("FVOPA"), Canada's preeminent certification body for organic operators.

Rubicon Organics was the first cannabis company in the world to release an Environmental, Social and Governance ("ESG") report ("ESG Report") and expects to continue to take an ESG leadership position in the cannabis sector.

The Company is focused on building a portfolio of premium brands in the Canadian market that is anchored by its flagship Simply Bare™ Organic cannabis brand. The Company has direct supply agreements in place with the British Columbia Liquor Distribution Branch ("BCLDB"), the Alberta Gaming, Liquor and Cannabis Commission ("AGLC"), the Ontario Cannabis Stores ("OCS"), the Société Québécoise du cannabis ("SQDC"), Cannabis NB ("CNB"), the Yukon Liquor Corporation ("YLC") and Medical Cannabis by Shoppers Drug Mart Inc. and sells directly to Manitoba Liquor & Lotteries ("MBLL") and the Northwest Territories Liquor and Cannabis Commission ("NTLCC"). The Company also has distribution agreements with distributors in Saskatchewan who distribute the Company's products to certain provincial distributors and retailers. In addition, the Company has entered into a supply agreement with German distributer, Canacur

GmbH, to sell Rubicon Organics' cannabis products to the German medical market. The Company expects commercial exports to commence in 2022, pending European Union Good Manufacturing Practices ("EU-GMP") certification.

As at December 31, 2021, Rubicon Organics has the following subsidiaries:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings Corp. ("RHC") [1]	BC, Canada	100%
West Coast Marketing Corporation	BC, Canada	100%

[1] Formerly Rubicon Organics Canada Corp.

Our Operations

Delta Facility

The Delta Facility is a fully licensed 125,000 square foot state-of-the-art hybrid greenhouse owned and operated by Rubicon Organics located on a 20-acre property in Delta, British Columbia. The entire greenhouse facility is licensed for cultivation and processing and is certified by FVOPA for organic cannabis cultivation.

The Delta Facility is made up of a processing area, a nursery, and a total of five cultivation compartments. Since March 2020, the Delta Facility has been in full scale operation. The Delta Facility utilizes cold cure processing rooms and follows Good Production Practices ("GPP") for processing dried flower, performing solvent-less extraction and packaging finished goods.

Rubicon Organics has invested in the Delta Facility to create year-round organic growing conditions. Since achieving full scale cultivation operations in early 2020, we have continued to adapt our infrastructure to refine and optimize our growing environment with a focus to drive high quality production. The Delta Facility utilizes two different spectrums of supplemental LED light and advanced climate and humidity controls. Our full spectrum LED lights mimic natural sunlight, resulting in healthier plants with higher yields than conventional greenhouses while reducing our energy use by up to 60% compared with other lighting methods. The Delta Facility is also outfitted with precision, sensor-based watering that reduces water consumption.

The Company's Delta Facility employs FVOPA organic certified cannabis cultivation methods. Soil and fertilizers used in cultivation are made in-house, using a proprietary blend of natural, locally sourced ingredients that naturally deliver nutrients to the crop, while minimizing the impact on our environment.

Rubicon Organics is in possession of an extensive genetic library of cultivars previously developed in the medical cannabis market that have been stabilized for successful growth in greenhouse conditions.

Brands and Products

Cannabis Flower Brands

Simply Bare™ Organic is Rubicon Organics' flagship super-premium brand launched in December 2019. Cannabis packaged and sold under the Simply Bare™ Organic brand is grown in a proprietary mix of 100% certified organic soil made in-house with ingredients from British Columbia's Sunshine Coast. Each plant is grown under full-spectrum sunlight, harvested by hand and cold cured for two weeks to achieve a rich terpene profile. Buds are then selected and carefully trimmed by hand before being packaged. Simply Bare™ Organic flower is utilized to make a variety of dried flower based and cannabis 2.0 products for a true expression of each cultivar.

Product formats available as of April 18, 2022:

- 3.5 gram jar
- 7.0 gram jar
- 3 x 0.5 gram pre-rolls
- 2 x 0.5 gram pre-rolls
- 1.0 gram hash
- 2.0 gram hash
- 1.0 gram live rosin
- 0.5 gram PAX® Era™ pod
- 28 gram bag

1964 Supply Co™, initially launched in December 2020, is now available from Coast to Coast in seven provinces from British Columbia to New Brunswick and two territories. 1964 Supply Co™ is aimed at offering premium cannabis at legacy market prices. The brand is available in dried flower, pre-rolls, and hash formats.

Product formats available as of April 18, 2022:

- 3.5 gram bag
- 14 gram bag
- 15 gram bag
- 5 x 0.5 gram pre-rolls
- 7 x 0.5 gram pre-rolls
- 2.0 gram hash bag
- 3.5 gram hash bag

Homestead Cannabis Supply™ launched in Western Canada in July 2021 and hit the Ontario and Quebec market in October 2021. Homestead Cannabis Supply™ is Rubicon Organics' first mainstream brand developed for the price conscious and avid cannabis consumer. Homestead Cannabis Supply™ is the first product in Rubicon Organics' suite of brands that includes a 28g flower product format.

Product formats available as of April 18, 2022:

- 28 gram flower

LAB THEORY^{TM} is a premium concentrate brand launched in January 2021 in British Columbia and currently available in Alberta and Ontario. LAB THEORY^{TM} combines high terpene flower with industry-leading extraction techniques to produce high-quality concentrates, available in sought after formats. To create flavourful, full spectrum concentrates, every strain must be seen on its own merits. By experimenting with different processes for growing and extracting, we find the perfect formula that brings out the unique characteristics of each cultivar.

Product formats available as of April 18, 2022:

- 1.0 gram diamonds
- 1.0 gram live resin

Wildflower^{TM} is a brand licensed by Rubicon Organics from Wildflower Brands Inc. to bring Wildflower-branded CBD Relief Sticks and CBD Cool Sticks to the Canadian market. The Company has an exclusive license to the brand in Canada. Launched in late March 2021 and available since early April 2021 to consumers nationally and on certain medical platforms.

Product formats available as of April 18, 2022:

- 30 gram and 73 gram CBD Relief Stick
- 30 gram and 73 gram CBD Cool Stick

Strategy and Outlook

Canadian Recreational Market

Rubicon Organics is focused on achieving industry leading profitability through a focus on innovation and the development of brands and cannabis products, including its flagship super-premium brand Simply Bare^{TM} Organic, its premium flower and hash brand 1964 Supply Co^{TM}, its mainstream brand Homestead Cannabis Supply^{TM}, its premium concentrate brand LAB THEORY^{TM} and its licenced brand Wildflower^{TM}. Simply Bare^{TM} Organic is a top organic brand in all major provinces and maintains leadership in the premium category.

New Product Innovation

Rubicon has hired an experienced team of consumer-packaged goods professionals with a focus on continuous innovation and a plan to launch new product innovations throughout 2022 and beyond. This team has led the expansion of the Simply Bare^{TM} Organic product line and led the launch of both 1964 Supply Co^{TM} and Homestead Cannabis Supply^{TM}. Further product line extension and margin optimization is expected going forward.

On March 3, 2021, the Company entered into a services agreement with the Valens Company (“Valens”) to provide organic certified extraction services.

On March 24, 2021, the Company announced the launch of Wildflower^{TM} topicals including the CBD Relief Stick and CBD Cool Stick. The Wildflower-branded products were available in early April 2021 to consumers nationally and on certain medical platforms.

Rubicon has partnered with PAX LABS®, a leader in premium cannabis vaporization technology, to launch organic cannabis oil smart pods for the PAX® ERA™ and PAX® ERA Pro™ premium vaporizers. PAX® pods were available in June 2021 to consumers in Saskatchewan and are now available in Ontario, British Columbia, Alberta, Manitoba, New Brunswick and the Yukon.

In June 2021, Rubicon launched its first live rosin under the Simply Bare™ Organic brand into the Ontario market, with British Columbia following in August 2021. The live rosin was extracted in house and crafted without the use of solvents to enter a new space within the premium concentrates segment.

Europe and Other International Markets

The Company sold a small quantity of cannabis product to Canacur GmbH during 2021 to validate and test the logistics process of exporting to Germany. Through its supply agreement with Canacur GmbH, the Company established its distribution channel to the German medical cannabis market. The Company expects commercial exports to commence in 2022, pending EU-GMP certification. Although the Company has assessed that the Delta Facility is ready for the EU-GMP inspection, it has been delayed due to COVID-19 travel restrictions and thus this has delayed the commencement of commercial exports to Germany.

During 2020, Rubicon received $465,497 from Canacur GmbH in advanced payment for product under the supply agreement. Due to the delayed commencement of commercial exports to Germany, on February 25, 2022, Rubicon repaid $230,390 to Canacur GmbH.

The Delta Facility

The Company has completed a greenhouse climate system upgrade with the recent commissioning of six newly installed HVAC units, coupled with genetic innovations and improved cultivation conditions, that are expected to increase both quality and yield during 2022.

Rubicon continues to work with BC Hydro on a power upgrade to the Delta Facility, which will eliminate the need for generators, reduce the Company's operating costs and further contribute to one of our ESG goals to reduce greenhouse gas emissions. The power upgrade is expected to be completed during the second quarter of 2022.

The Company plans to continue other relatively small scale, strategic capital investments to improve quality, and yield, increase efficiency, and/or decrease operating costs.

Company Outlook

During the 2021 fiscal year, the Company maintained significant market share in the premium and organic product categories with its Simply Bare™ Organic brand capturing 7.6%[1] of the premium flower and pre-roll market. We grew revenue 141% year over year and launched the full suite of Rubicon brands and invested behind them to ensure that we are able to launch innovation at different price segments to satisfy consumer preferences. This resulted in demand for Rubicon products outpacing our supply.

In the fourth quarter of 2021, Rubicon Organics defined a three-pillar strategy for 2022 focused on yield and quality, improving product mix to optimize margin, and launching international products, each of which we expect will have a positive impact on our profitability and cashflow.

Our first focus is to optimize production processes at the Delta Facility to increase yield of our super-premium cannabis. We have completed facility upgrades, invested in process improvements, and continue to identify opportunities for cost efficiencies. The Company installed new climate control systems, most critical being the dehumidification units, and refined its cultivation system. We expect this will enable us to achieve an annual run rate of 11,000 kg's of super-premium cannabis by the end of 2022. Maintaining high quality flower with greater THC content from each crop continues to be a priority and we anticipate our improved product offerings to enter the market in the second quarter. Our Delta Facility is expected to also

[1] Hifyre, market share in Canada represents the premium flower and pre-roll category sales for the 12-months ending December 31, 2021.

benefit from the upgrade to the BC Hydro grid resulting in further production cost savings in the second half of 2022.

The second pillar is to implement our commercial strategies within the Canadian domestic market to maximize the gross profit for each unit produced from our Delta Facility which, coupled with delivering increased quality of flower and higher THC, is expected to drive more volume into our Simply Bare™ Organic and 1964 Supply Co™ brands.

The premium cannabis market is gaining momentum and outpacing the growth of the total market[2] and this is expected to benefit the premium product innovations we are bringing to the market. 2022 is expected to be the first full year with all five of Rubicon's wholly owned and licensed brands in market with national distribution. Future innovation in flower, pre-roll and 2.0 products are expected to be launched under the existing brand portfolio.

Our third pillar is to open the routes to market for our products internationally by obtaining key certifications and agreements to launch into Israel and Europe, with our first exports expected to occur in the second half of 2022.

Rubicon believes that the combination of new brands in key Canadian markets and increased product offerings enable us to capitalize on our momentum and, coupled with a continued increase in production quality and yield, we expect strong topline and margin growth in 2022.

We believe that the cannabis sector will have significant volatility in 2022 as there are ongoing changes in the retail stores environment, provincial mandates and increased competition. With the COVID-19 wave in the first quarter we experienced staff shortages at our facility and lower than forecast demand in January and February which we believe is attributed to seasonality and changing COVID mandates for access to Quebec stores. In March we saw a return to our previously forecasted sales levels. Notwithstanding this volatility, we expect to sell everything we cultivate and have available for sale during 2022.

From a capital management perspective, Rubicon intends to extend its existing debt facility or find a new facility at similar rates to keep cash optionality in the business.

The Company performed a cost review in the first quarter of 2022 to drive the business towards profitability as quickly as possible. In order to demonstrate their commitment to drive to profitability, the CEO and CFO proposed reducing their cash compensation for the second quarter to $nil and this has been accepted by the Compensation Committee of the Board. The CEO and CFO are in discussions with the Compensation Committee on a revised compensation structure.

The Company achieved positive operating cashflows for the first time in the fourth quarter of 2022. The Company's current expectation is to be operating cashflow positive and Adjusted EBITDA[3] profitable in 2022. We believe that despite any market volatility 2022 our focus on our three pillars coupled with our brand portfolio expansion achieved in 2021 will position Rubicon to continue to deliver on its commitments and win in the premium market.

COVID-19

In March 2020, the World Health Organization declared the outbreak of the COVID-19 virus a global pandemic. This outbreak continues to cause major disruptions to businesses and markets worldwide as the virus, including new variants, continues to spread. Several countries, as well as certain provinces and cities within Canada, have enacted temporary closures of businesses, issued quarantine or shelter-in-place

[2] Hifyre data for flower and pre-roll products covering the period of October 2021 through December 2021.
[3] Adjusted EBITDA is a non-GAAP measure that is calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes. See ***Selected Annual Information*** for details on the Adjusted EBITDA calculation ("Adjusted EBITDA").

orders, and taken other restrictive measures in response to COVID-19 during the period. The extent to which COVID-19 and the related global economic crisis affect our business, results of operations and financial condition, will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any recovery period, future actions taken by governmental authorities, central banks and other third parties (including new financial regulation and other regulatory reform) in response to the pandemic, and the effects on our products, clients, vendors and employees. We continue to service our customers amid uncertainty and disruption linked to COVID-19 and we are actively managing our business to respond to the impact.

Recent Activities

Key Developments in the year ended December 31, 2021

- Launched 1964 Supply Co™ in Alberta, British Columbia, Manitoba, Ontario, Saskatchewan, Quebec, the Yukon and New Brunswick
- Launched Homestead Supply Co™ brand in Alberta, British Columbia, Manitoba, Ontario, the Yukon and Saskatchewan
- Entered into a supplier agreement with Medical Cannabis by Shoppers Drug Mart Inc.
- Received first purchase orders from CNB, YLC and first direct purchase order from MBLL
- Entered into an agreement with Valens for organic certified extraction services
- Published the Company's inaugural ESG Report
- Received Health Canada license sales amendment for the direct sale of cannabis topical, edible and concentrate products
- Completed $23.0 million bought deal offering at $3.80 per unit
- Repaid first and second mortgages, and refinanced with a US$8.0 million principal amount secured debenture at 6.5% interest per annum

Commercial

On March 3, 2021, Rubicon announced that it has entered into an agreement with Valens for organic certified extraction services.

On April 19, 2021, the Company announced that it has signed a Cannabis Purchase and Sale Agreement with the YCL for the distribution of its portfolio of cannabis products to consumers in the Yukon territory. The Company received its first purchase order and made its first shipment to the YCL in May 2021.

On April 27, 2021, the Company announced that it received its first direct purchase order from the MBLL. Rubicon was previously selling our portfolio of cannabis products to the MBLL indirectly through our Manitoba distributor.

On May 20, 2021, the Company announced that is has received its first purchase order from CNB, New Brunswick's provincial cannabis distributor and retailer.

On June 2, 2021, the Company received initial purchase orders for its Simply Bare™ Organic live rosin solventless concentrate and PAX® pod products.

During July 2021, the Company announced further development of its brand portfolio and the launch of 10 new SKUs of Simply Bare™ Organic. Rubicon also announced the listings of both the 1964 Supply Co™ premium brand in Alberta, British Columbia, Manitoba, Ontario, Saskatchewan, Quebec, and New Brunswick and the Homestead Cannabis Supply™ brand in Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan. The 1964 Supply Co™ and Homestead Cannabis Supply™ brands began shipments in the third quarter of 2021.

During August 2021, the Company sold a small quantity of cannabis product to Canacur GmbH to validate and test the logistics process of exporting to Germany.

On September 13, 2021, the Company announced that it signed a Cannabis Products Supplier Agreement with Medical Cannabis by Shoppers Drug Mart Inc.

On December 14, 2021, the Company announced the launch of three new strains under its super-premium brand, Simply Bare™ Organic and two new stains under its premium brand, 1964 Supply Co™. These new launches demonstrate the Company's continued commitment to strain innovation in the cannabis market in Canada.

Market Share

In the premium segment of the Canadian cannabis flower and pre-roll market, Simply Bare™ Organic reached 7.6%[4] market share in 2021, up from 5.4% in 2020. When compared to other companies that have multiple premium brands in the ranking, this makes Rubicon the third highest selling licensed producer in the premium cannabis market. This ranking only includes sales of Simply Bare™ Organic, making it the best-selling individual brand in combined flower and pre-roll sales across Canada.

The Company's total market share in the Canadian flower and pre-roll category increased to 1.8%[5] for the full year 2021, an increase from 1.1% in 2020. Rubicon, ended the year with 2.1%[6] market share for the three months ending December 31, 2021.

These significant market share gains are attributable to steadily rising sales of Simply Bare™ Organic, the distribution of 1964 Supply Co.™ outside of Quebec and the launch of Homestead Cannabis Supply™ in the second half of 2021.

Regulatory and Licensing

On January 14, 2021, Rubicon announced that it received its Health Canada license sales amendment which authorizes the direct sale of cannabis topical, edible and concentrate products to provincially authorized distributors/retailers and registered patients, in addition to dried and fresh cannabis products. The Company used a licensed intermediary to launch its LAB THEORY™ and 1964 Supply Co™ brand of concentrate products to provincial distributors and subsequently completed the process of transitioning its Quebec concentrate sales to be direct with the SQDC. Since launching LAB THEORY™ in December 2020, new entrants have entered the hydrocarbon concentrate market which has resulted in a significant price drop for products in this market. The Company has been pursuing limited product releases and is further assessing how LAB THEORY™ will be positioned in the Canadian market.

On July 8, 2021, the Company announced the creation of the Cannabis Cultivators of British Columbia ("CCBC") with leading cannabis producers Pure Sunfarms and Tantalus Labs. CCBC is a non-profit industry association dedicated to advocating for the growth of a responsible cannabis industry and advancing a favourable social, economic, and business environment for cannabis cultivation in BC.

On July 29, 2021, the Company was granted a Research & Development License by Health Canada. The Research & Development License allows the Company to distribute and administer its cannabis for research purposes and to test and review its products based on taste, sight, smell, and touch.

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[4] Hifyre data for premium flower & pre-rolled products covering the period of January 2021 through December 2021.

[5] Hifyre data for flower and pre-roll products covering the period of January 2021 through December 2021.

[6] Hifyre data for flower and pre-roll products covering the period of October 2021 through December 2021.

Environmental, Social and Governance

On June 3, 2021, the Company announced the publication of its inaugural ESG Report. The ESG Report reflects the Company's determination to embed sustainability in a formal manner through its operations and supply chain, and to communicate its progress with stakeholders in a transparent and authentic manner. The ESG Report captures the period between January 1 and December 31, 2020, and is informed by leading sustainability and reporting frameworks including Global Reporting Initiative (GRI) Standards, the Ten Principles of the United Nations Global Compact (UNGC), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).

Rubicon's next major ESG initiative is the completion of the BC Hydro power project at the Delta Facility. The power project is expected to be completed by June 30, 2022. This project will allow Rubicon to access clean hydro power from BC Hydro.

Corporate

On February 26, 2021, Rubicon closed a bought deal offering of 6,052,631 units at $3.80 per unit for aggregate gross proceeds of $23.0 million. Each unit is comprised of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $5.30 until February 26, 2024, subject to an accelerated expiry if the 20-trading day volume-weighted average price of the common shares on the TSX Venture Exchange is equal to or greater than $6.90 per common share.

On March 31, 2021, the Company fully repaid the $5.0 million first mortgage loan that matured.

On April 23, 2021, the Company fully repaid a second mortgage tranche which had matured. The Company repaid a total of $4,207,635 representing $3,355,000 in principal and $852,635 in accrued interest.

On April 23, 2021, the Company also early repaid a second mortgage tranche originally due on May 27, 2021. The Company repaid a total of $6,268,057 representing $5,000,000 in principal and $1,268,057 in accrued interest.

On June 25, 2021, the Company fully repaid a second mortgage tranche originally due on July 11, 2021. The Company fully repaid a total of $562,756 representing $500,010 in principal and $62,756 in accrued interest.

On June 29, 2021, the Company issued a US$8.0 million principal amount secured debenture (the "Debenture") in connection with a debt financing transaction. The Debenture has a two-year term and bears interest at 6.5% annually. In connection with the transaction, the Company issued 907,000 associated bonus warrants. Each warrant entitles the warrant holder to purchase one common share in the capital of the Company at an exercise price of $4.00 per common share for a period of three-years from the date of issuance.

On July 26, 2021, the Company entered several foreign exchange swap contracts (together the "Derivatives") to fix the future exchange rate of the principal and interest payments on the US$8.0 million Debenture to 1.2580 CAD/USD. The foreign exchange swaps will settle on June 27, 2022, December 28, 2022, and June 27, 2023, at rates that range from 1.2589 to 1.2640 CAD/USD, which reflects the exchange rate spreads of 8.5 to 60.0 basis points on the swap contracts.

Developments Subsequent to December 31, 2021

Commercial

On January 10, 2022, the Company announced that it received its first purchase order from NTLCC, the Northwest Territories' provincial cannabis distributor and retailer.

Regulatory and Licensing

Effective January 26, 2022, the Company renewed its Health Canada licenses issued in accordance with the Cannabis Act and Cannabis Regulations. The licenses expire on January 26, 2027.

Corporate

On January 10, 2022, the Company announced that Julie Lassonde has been appointed to the Company's Board of Directors after receipt of security clearance from Health Canada.

On April 18, 2022, the Company announced the departure of Tim Roberts, formerly President.

Fourth Quarter 2021 Highlights

- The Company achieved its first ever quarter of positive operating cashflows of $489,970
- Net revenue of $6,815,183 was an increase of 43% from the same period in the prior year
- Process improvements at the Delta Facility have driven cost savings resulting in a $2,248,688 improvement to gross profit before fair value adjustments when compared to the fourth quarter of 2020
- The Company completed a greenhouse climate system upgrade with the recent commissioning of newly installed HVAC units
- The Company progressed with its BC Hydro power upgrade, designed to both reduce the Company's operating costs and make further progress towards one of our ESG goals

Fourth Quarter 2021 Results

In the fourth quarter of 2021, the Company earned $6,815,183 of net sales, a decrease of $275,284 or 4% when compared to the third quarter of 2021 (September 30, 2021: $7,090,467). While there was a decrease in the net sales in the fourth quarter, there was a marked improvement in the composition of product mix with a greater weighting toward the higher margin Simply Bare™ Organic and 1964 Supply Co™ products in the fourth quarter. 1964 Supply Co™ products initially landed in Alberta, BC and Ontario stores in the third quarter and significant re-orders drove meaningful growth for the brand through the fourth quarter. Third quarter product sales were heavily supplemented by Homestead Cannabis Supply™ which has a lower price point and is used tactically to sell product unsuitable for other brands.

Production costs in the fourth quarter 2021 were consistent with a modest decrease of $53,494 when compared to the third quarter of 2021 (three months ended December 31, 2021: $2,065,414 as compared to three months ended September 30, 2021: $2,118,908). We can see the efficiencies gained through process improvements in our cultivation system and savings created earlier in 2021. The seasonal impacts of climate are expected to have the largest impact on production costs going forward given their influence on natural gas and hydro-electricity usage.

Inventory expensed to cost of sales was $2,939,990 in the fourth quarter, which is a decrease of $104,554 or 3% when compared to the third quarter of 2021 (September 30, 2021: $3,044,544). Relative to the third quarter of 2021, product mix improved as more Simply Bare™ Organic and 1964 Supply Co™ products were sold resulting in a higher gross profit ratio. This was offset by a slight increase in inventory written off or destroyed. The improvement in gross profit is not clearly evident on the face of the financial statements as much of the Homestead Cannabis Supply™ product sold in the third quarter had been previously written down.

The Company incurred operating expenses of $3,552,756 in the fourth quarter which is a decrease of $108,534 or 3% when compared to the third quarter of 2021 (September 30, 2021: $3,661,290). The decrease is due to ongoing process improvements in the organization, offset by an increase to non-cash share based compensation from the issuance of deferred share units and restricted share units in the fourth quarter.

Net loss during the fourth quarter was $1,590,430 which is an improvement of $2,256,105 when compared to the third quarter of 2021 (September 30, 2021: $3,846,535). The movement was driven primarily by a quarter over quarter increase to fair value adjustments of $2,509,276. Improved crop quality resulted in a higher yielding and quality product. These quality improvements have been reflected in the Company fair value of its cannabis inventory.

The fourth quarter Adjusted EBITDA was a loss of $570,480[7] which is an improvement of $73,613 when compared to the third quarter of 2021. As discussed above, the improvement is due to a quarter over quarter decrease of inventory expensed to cost of sales, operating expenses and production costs, partially offset by a reduction in net sales.

During the fourth quarter of 2021 the Company achieved positive operating cashflow of $489,970 as compared to a $1,256,120 spend in the third quarter of 2021. This positive operating cashflow was offset by the continued investment at the Delta Facility totaling $830,716 primarily related to the new dehumidification units which reduce crop risk and improve the quality of our cultivation process. These cashflows along with further payments for finance leases of $42,308 and a negative impact of foreign exchange of $5,580 resulted in a net decrease to cash of $388,634 from September 30, 2021 to December 31, 2021.

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[7] Adjusted EBITDA is a non-GAAP measure that is calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes. See ***Selected Annual Information*** for details on the Adjusted EBITDA calculation ("Adjusted EBITDA").

Results of Operations and Financial Review

	Year ended	
	December 31, 2021 **$**	December 31, 2020 $
Net revenue	**22,611,804**	9,387,320
Production costs	**9,155,425**	8,051,854
Inventory expensed to cost of sales	**9,500,187**	3,967,624
Inventory written off or provided for	**1,651,258**	1,394,363
Gross profit (loss) before fair value adjustments	**2,304,934**	(4,026,521)
Fair value adjustments to cannabis plants, inventory sold, and other charges	**(798,047)**	3,362,559
Gross profit (loss)	**1,506,887**	(663,962)

Net revenue

For the year ended December 31, 2021, net revenue increased by 141% or $13,224,484 compared to the prior year. Revenue increased with the ramp up of Simply Bare™ Organic product availability and provincial distribution as well as the launch of 1964 Supply Co™ and Homestead Cannabis Supply™. The Company experienced growth in its existing provincial markets of British Columbia, Ontario, Alberta, and Quebec and launched into New Brunswick, Saskatchewan, Manitoba, and the Yukon.

The Company launched several new strains, product formats and brands throughout the year ended December 31, 2021. At the beginning of 2020 the Company had two strains for sale in 3.5 gram jars of Simply Bare™ Organic and by the end of the fourth quarter of 2021 had over 60 SKUs in markets across Canada in its various brands and formats. The expansion of the brand portfolio with 1964 Supply Co™ and Homestead Cannabis Supply™ in key Canadian markets opened new sales channels and drove revenue growth in the second half of 2021.

As previously disclosed, the revenue of the Company was impacted in the first half of 2021 by COVID-19 cannabis store closures, particularly in Ontario, along with reduced orders from provincial distributors as they were focused on selling through inventory built up in the fourth quarter of 2020 and the first quarter of 2021. With the launch of new products and the re-opening of the stores through 2021, this impact has dissipated.

Production costs

For the year ended December 31, 2021, production costs increased by 14% or $1,103,571 compared to the prior year.

Under the Company's accounting policy, production costs are expensed as incurred. Production costs consist of the direct and indirect costs incurred to grow cannabis plants to the point of harvest. They include labour related costs, cultivation materials and consumables, utilities, facility costs, certain overheads, and production related depreciation. This methodology means that unless product is produced and sold during the year, the production costs associated with inventory held at year end are expensed prior to revenue being derived.

Production costs for the year ended December 31, 2021, were higher than in the comparable period as operations were being ramped up through the first half of 2020 and the Delta Facility was not fully planted until the end of March 2020.

As a result of cultivation process improvements and the Company-wide restructuring that occurred in the second quarter of 2021, the Company realized a decrease in production costs in the second half of 2021 compared to the first half of the year. Production costs are expected to be relatively consistent quarter over quarter now that the Delta Facility is operating at full capacity, with further improvements to occur upon completion of the BC Hydro power project. Due to seasonality at the Delta Facility, the Company expects to incur moderately more cost in the winter months when additional energy is consumed to heat and light the facility.

As the vaccination rate of the Company's personnel increased the Company has experienced an ongoing reduction in costs incurred to mitigate COVID-19 risks at the Delta Facility. These costs have included protective equipment, additional trailer space leased for social distancing on site, and lost labour time and staff replacement cost due to quarantining of personnel.

Inventory expensed to cost of sales

For the year ended December 31, 2021, inventory expensed to cost of sales increased by 139% or $5,532,563 compared to the prior year.

After cannabis is harvested, the remaining costs incurred in drying, processing, and packaging are capitalized to inventory and expensed once the finished good is sold. Inventory expensed to cost of sales was 42% of net revenue for the year ended December 31, 2021 (December 31, 2020: 42%), which was consistent with the prior year.

Process improvements and the Company-wide restructuring resulted in cost savings during 2021. When compared to net revenue, inventory expensed to cost of sales remained consistent due to a change in product mix with the launch of 1964 Supply Co™ and Homestead Cannabis Supply™ products, both of which return a lower gross margin per product when compared to Simply Bare™ Organic products.

Management expects an improvement to cost of sales as a percentage of net revenue as net revenue increases and operational efficiencies are realized from process improvements and the completion of certain capital projects.

Inventory written off or provided for

For the year ended December 31, 2021, inventory written off or provided for was $1,651,258 (December 31, 2020: $1,394,363).

The majority of inventory written off or provided for occurred in the first and second quarter of 2021 due to product aging as sales were lower than forecasted during COVID-19 lockdowns. Furthermore, as we increased our quality thresholds in the second quarter of 2021 for our premium products, we reallocated certain of our existing inventory to our mainstream brand resulting in a write down.

During the second half of 2021, the Company was able to reduce the amount of inventory written off or provided for with continuous improvement of our supply and demand planning, better aligning our production of finished goods and bulk cannabis inventory with sales. Inventory written off or provided for as a percentage of net revenue was 3% in the second half of 2021, compared to 14% in the first half of 2021.

Gross profit before fair value adjustments

For the year ended December 31, 2021, gross profit before fair value adjustments was $2,304,934, an increase of $6,331,455 compared to the loss of $4,026,521 in the prior year.

With the addition of the Company's premium flower and hash brand 1964 Supply Co™ and mainstream brand Homestead Cannabis Supply™, we are able to sell all cannabis material grown ensuring consistent positive gross margin going forward.

In addition, we expect that improvements in the overall cultivation program will result in increased crop quality and yield contributing further to improvements of gross margin by increasing the supply of material which can be sold via the higher margin Simply Bare™ Organic and 1964 Supply Co.™ brands.

Fair value adjustments to cannabis plants, inventory sold and other charges:

Unrealized gain on changes in fair value of cannabis plants

Unrealized gain on changes in fair value of cannabis plants is the gain resulting from management's estimate of the fair value less costs to sell of live cannabis plant inventory up to the point of harvest. IFRS requires management to estimate the fair value of cannabis through its growth phase, to the point of harvest. Once harvested, the fair value estimate of a plant at the harvest date becomes "crystallized" and forms the cost base of that plant as it is further processed, packaged, and sold.

For the year ended December 31, 2021, unrealized gain on changes in fair value of cannabis plants was $10,176,769 (December 31, 2020: $10,838,979).

The gain for the year ended December 31, 2021, decreased $622,210 compared to the prior year. This decrease is driven by an overall reduction in the fair value less costs to sell on a per dried gram basis and a reduction in the number of plants harvested from 2020 to 2021, offset by an increased expected average yield per plant over the same period. The reduction in fair value less costs to sell on a per dried gram basis reflects decreases in the wholesale pricing of cannabis flower in Canada in the year. The reduction in the number of plants harvested was due to timing of harvests and a decrease in plant density as part of our cultivation strategy to drive quality and per plant yield improvements. The increased expected average yield per plant is a result of these improvements in the cultivation program.

Realized fair value of inventory sold

For the year ended December 31, 2021, realized fair value of inventory sold was $7,625,311 (December 31, 2020: $4,206,039). Realized fair value of inventory sold is the non-cash fair value released from inventory when cannabis is sold. Refer to *Inventory expensed to cost of sales* discussion above.

Adjustment to net realizable value of inventory on hand at period end

For the year ended December 31, 2021, the adjustment to net realizable value of inventory on hand at period end was $3,349,505 (December 31, 2020: $3,270,381). The adjustment consists of the fair value component of inventory that was written off or provided for in the year. Refer to *Inventory write off* discussion above.

Operating Expenses

	Year ended	
	December 31, 2021 **$**	December 31, 2020 $
Consulting, salaries and wages[1,2]	**7,419,633**	5,867,231
General and administrative[2]	**3,243,456**	2,669,831
Share-based compensation	**2,140,182**	2,552,786
Sales and marketing	**1,779,446**	1,043,470
Depreciation and amortization	**265,170**	122,457
Total operating expenses	**14,847,887**	12,255,775

[1] Contains restructuring charges and research and development charges
[2] Contains research and development charges

Operating expenses increased year-over-year to support the ramp up of operations at the Delta Facility. We also expanded our sales and marketing efforts to support the existing brands in the market, launched new brands to expand our presence in Canada and conducted research and development for our cannabis 2.0 products.

Consulting, salaries and wages

For the year ended December 31, 2021, consulting, salaries and wages increased by $1,552,402 compared to the prior year. Personnel costs increased through 2020 into 2021 due to a rise in headcount, largely attributed to the build out of the research and development, sales, marketing, innovation, commercial, and finance teams, and an increase in executive compensation. This was partially offset by a head count reduction in the second quarter of 2021, net of restructuring charges. Headcount increases specific to the Delta Facility are accounted for separately, as they are expensed through production costs, or capitalized to inventory and ultimately charged to cost of sales.

In the second quarter of 2021, we underwent a company-wide restructuring to re-align the size and capabilities of the management teams to the business needs of the Company. Certain jobs were consolidated or removed as the Company resized the organization. The restructuring charges of $261,361 in 2021 consist of termination benefits and are included in consulting, salaries and wages (December 31, 2020: $nil).

General and administrative expenses

For the year ended December 31, 2021, general and administrative expenses increased by $573,625 compared to the prior year. General and administrative expenses consist of certain short-term leases, insurance, professional fees, investor relations fees, office expenses, and research and development costs. This change reflects increased activity of the Company due to additional head count, increased insurance premiums, and expanded research and development. During 2021, the Company experienced a significant rise in its insurance premiums with the growth of its business as well broad premium increases in the cannabis sector.

Sales and marketing

For the year ended December 31, 2021, sales and marketing expenses increased by $735,976 compared to the prior year. Sales and marketing expenses consist of the costs to maintain the Simply Bare™ Organic brand, carry out marketing initiatives, and develop new brands. This increase year over year reflects the Canada-wide rollout of Simply Bare™ Organic and the launch of our new 1964 Supply Co™ and Homestead Cannabis Supply™ brands. Sales and marketing expenses as a percentage of net revenue decreased to

8% for the year ended December 31, 2021 (December 31, 2020: 11%). Sales and marketing costs are expected to grow in line with net revenue.

Share-based compensation

Non-cash share-based compensation reflects the estimated value of stock options, restricted share units, restricted share awards and deferred share units issued to employees and directors of the Company.

For the year ended December 31, 2021, share-based compensation decreased by $412,604 compared to the prior year. The decrease is driven by 300,000 fewer restricted share awards being issued in 2021, and an overall decrease in the number of vesting options in 2021 due to fewer recent option grants. This decrease was partially offset by the grant of 2,740,000 restricted share units and 75,000 deferred share units during 2021.

Research and development costs

For the year ended December 31, 2021, the Company incurred $803,345 of research and development costs related to the development of cannabis 2.0 products, including those for Wildflower™, PAX®, and LAB THEORY™. Negligible research and development costs were incurred in the year ended December 31, 2020, as the Company was focused on ramp up of production and roll-out of Simply Bare™ Organic flower. Of the $803,345, $495,327 has been recorded in consulting, salaries and wages and $308,018 has been recorded in general and administrative expenses.

Selected Financial Information

The following tables present selected financial information of the Company:

As at:	**December 31, 2021 $**	December 31, 2020 $	December 31, 2019 $
Current assets	**27,174,025**	26,175,413	18,357,477
Non-current assets	**27,667,267**	24,896,834	21,418,544
Current liabilities	**6,937,753**	22,009,233	12,853,863
Non-current liabilities	**9,004,355**	221,134	8,406,762
Shareholders' equity	**38,899,184**	28,841,880	18,515,396

		Year ended	
	December 31, 2021 $	December 31, 2020 $	December 31, 2019 $
Net revenue	**22,611,804**	9,387,320	—
Other income	**83,583**	929,867	—
Loss from operations	**(13,257,417)**	(11,989,870)	(9,630,623)
Loss from continuing operations	**(14,520,740)**	(14,349,541)	(11,104,993)
Loss from discontinued operations	**—**	(633,631)	(3,168,801)
Net loss for the period	**(14,520,740)**	(14,983,172)	(14,273,794)
Total comprehensive loss	**(14,520,740)**	(14,324,021)	(14,811,787)
Adjusted EBITDA**	**(8,006,273)**	(11,081,996)	(9,251,374)
Loss per share from continuing operations	**(0.26)**	(0.33)	(0.29)
Loss per share	**(0.26)**	(0.34)	(0.37)

**Adjusted EBITDA is a non-GAAP measure that is calculated as earnings (losses) from operations before interest, tax, depreciation and amortization, share-based compensation expense, and fair value changes as shown below. Management uses Adjusted EBITDA to assess the Company's performance. Adjusted EBITDA may not be comparable to similar measures presented by other issuers. The following table presents the Company's Adjusted EBITDA for the year ended December 31, 2021, December 31, 2020, and December 31, 2019.

		Year ended	
	December 31, 2021	December 31, 2020	December 31, 2019
	$	$	$
Loss from operations	**(13,257,417)**	(11,989,870)	(9,630,623)
IFRS fair value accounting related to cannabis plants and inventory	**(798,047)**	3,362,559	3,520,959
	(12,459,370)	(15,352,429)	(13,151,582)
Interest revenue	**(83,583)**	—	—
Depreciation and amortization	**2,396,498**	1,717,647	738,107
Share-based compensation expense	**2,140,182**	2,552,786	3,162,101
Adjusted EBITDA	**(8,006,273)**	(11,081,996)	(9,251,374)

The following table presents the Company's Adjusted EBITDA for the three months ended December 31, 2021, September 30, 2021, and December 31, 2020.

		Three months ended	
	December 31, 2021	September 30, 2021	December 31, 2020
	$	$	$
Loss from operations	**(1,368,988)**	(3,618,568)	(4,312,718)
IFRS fair value accounting related to cannabis plants and inventory	**687,705**	(1,821,571)	355,909
	(2,056,693)	(1,796,997)	(4,668,627)
Interest revenue	**(114)**	(83,469)	—
Depreciation and amortization	**713,939**	656,433	486,847
Share-based compensation expense	**772,388**	579,940	1,223,255
Adjusted EBITDA	**(570,480)**	(644,093)	(2,958,525)

Summary of Quarterly Results

The following table summarizes quarterly financial results for Rubicon Organics for the last eight quarters:

	2021				2020			
(C$000's)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net revenue	**6,815**	7,090	4,596	4,111	4,774	3,167	992	454
Inventory written off or provided for	**(280)**	(149)	(623)	(599)	(905)	(460)	(29)	—
Gross profit	**1,530**	1,778	(411)	(592)	(719)	(641)	(1,196)	(1,471)
Net loss for the period	**(1,591)**	(3,847)	(5,096)	(3,987)	(5,043)	(4,317)	(1,815)	(3,808)
Weighted average shares outstanding (000's)	**56,170**	56,033	55,632	51,776	47,260	46,148	42,047	40,041
Net loss per share, basic and diluted	**(0.03)**	(0.07)	(0.09)	(0.08)	(0.11)	(0.09)	(0.04)	(0.10)

Initial revenues were earned in the first quarter of 2020, and the Company realized significant growth throughout the remainder of that year as it launched its Simply Bare™ Organic flower brand across Canada. In the first half of 2021, revenues flattened out as compared to the fourth quarter of 2020 given the impact of seasonality, and COVID-19 related store closures. The Company realized significant growth once again in the second half of 2021 due to greater market penetration of Simply Bare™ Organic and the successful launch of 1964 Supply Co™ and Homestead Cannabis Supply™ in key Canadian markets.

Cultivation costs are expensed prior to the Company earning revenues. In 2020, the Company invested in its organization and new product launches resulting in increased costs for headcount, research and development, sales and marketing, and certain non-cash costs. Products that did not meet our strict quality standards were written down, which limited improvements to both gross profit and net loss. The benefits of the new product launches were realised in the third and fourth quarter of 2021.

Although COVID-19 and related store closures suppressed the ramp up of revenue and gross profit in the first half of 2021, the Company has continued to observe improvements as internal production processes were enhanced, economies of scale realized, and new products launched. In the second half of 2021, the Company achieved significant revenue growth, achieved positive gross profit in both quarters and reduced net loss.

For a detailed review of the year ended December 31, 2021, refer to the results analysis under '*Results of Operations and Financial Review'*.

Liquidity and Capital Resources

Liquidity

Our objectives when managing our liquidity and capital structure are to maintain sufficient cash to fund our working capital needs, capital asset development and contractual obligations.

	Year ended		
	December 31, 2021 $	December 31, 2020 $	Change $
Net cash provided (used in):			
Operating activities	**(10,442,343)**	(14,310,854)	3,868,511
Investing activities	**(5,497,322)**	3,075,087	(8,572,409)
Financing activities	**15,304,620**	21,259,365	(5,954,745)
Effect of foreign exchange on cash	**82,029**	29,273	52,756
Increase (decrease) in cash	**(553,016)**	10,052,871	(10,605,887)
Cash beginning of the period	**12,136,459**	2,083,588	
Cash end of the period	**11,583,443**	12,136,459	

Operating Activities

In the year ended December 31, 2021, net cash used in operating activities decreased by $3,868,511 compared to the prior year. Revenue growth in 2021 from the ramp up of Simply Bare™ Organic product distribution and expansion of the brand portfolio with 1964 Supply Co™, Homestead Cannabis Supply™ and Wildflower™ has earned additional margin to improve cash flows from operating activities. Operating activities in 2021 represent full scale operations compared to the ramp up stage in the prior year. During 2021, the Company implemented process improvements and underwent a company-wide restructuring, resulting in realized cost reductions in the second half of the year. Revenue growth and reductions in per gram production costs have resulted in decreased net cash used in operating activities. The Company continues to prioritize process improvements, with a focus in the cultivation department to increase crop quality and yield that are expected to drive better financial results.

Investing Activities

In the year ended December 31, 2021, net cash used in investing activities decreased by $8,572,409 compared to the prior year. During 2020, the Company sold our greenhouse in Washington State for gross proceeds of $12,070,700 as part of the Company's exit from the United States. In addition, during 2021 the Delta Facility was ramping up to full scale operations and incurred capital expenditure to fully commission its remaining two growing compartments (total of five growing compartments plus the nursery at the Delta Facility). In the year ended December 31, 2021, the Company incurred fewer capital expenditure for facility upgrades. Facility upgrades in 2021 included HVAC system improvements from the purchase of six dehumidifiers to enhance temperature and humidity controls, processing area expansions to accommodate the production of cannabis 2.0 products, building expansions for additional packing space, and design and preparation for the BC hydro power project.

Financing Activities

In the year ended December 31, 2021, net cash provided by financing activities decreased by $5,954,745 compared to the prior year.

The decrease is driven by $16,357,052 in repayments of debt, interest and lease liabilities during 2021, offset by net proceeds from a prospectus offering of $21,223,402, the issuance of the Debenture for net proceeds of $9,834,185, proceeds from stock options exercised of $604,085. During 2020, cash flows included net proceeds from a non-brokered private placement of $13,311,970, proceeds from warrants exercised of $7,206,421, proceeds from stock options exercised of $1,579,328, offset by $838,354 in repayments of interest and lease liabilities.

Capital Resources

The Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2021, the Company had cash and cash equivalents of $11,583,443 and net working capital of $20,236,272. The Company fully repaid all prior loans and borrowings during the first and second quarter of 2021 and refinanced with a US$8.0 million debenture at 6.5% interest.

The Company believes it is sufficiently capitalized to maintain ongoing operations but may seek additional financing for other purposes. After the February 26, 2021, bought deal financing, the Company has $17.0 million remaining on its $40.0 million Base Shelf Prospectus filed on December 29, 2020.

Contractual Obligations

The Company has the following contractual obligations as at December 30, 2021:

Payments due by period:	**Less than one year $**	**One to three years $**	**Over three years $**	**Total $**
Lease liabilities[1]	171,114	60,626	—	231,740
Trailer leases[2]	207,940	—	—	207,940
Loans and interest obligations[3]	988,039	10,440,640	—	11,428,679
Total contractual obligations	**1,367,093**	**10,501,266**	**—**	**11,868,359**

[1] Consists of right-of-use Vancouver head office and right-of-use tractors.
[2] Modular buildings to provide additional space at the Delta Facility.
[3] Includes principal and interest on maturing loans. All USD amounts were translated at the future exchange rates specified in the swap contracts (the Derivatives).

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at April 18, 2022, the Company has the following securities outstanding:

	Number of units
Common Shares	55,983,327
Stock Options	3,437,416
Warrants	5,704,317
Restricted Share Units	2,740,000
Deferred Share Units	250,000
Fully Diluted Shares Outstanding	68,115,060

Proposed Transactions

There are no undisclosed proposed transactions that will materially affect the Company.

Off-balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements.

Related Party Transactions

Accounts payable and accrued liabilities at December 31, 2021, included $57,357 (December 31, 2020: $566,327) owed to executives and directors of the Company for expenses paid on behalf of the Company and deferred bonuses.

Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Key management compensation for the year ended December 31, 2021, and December 31, 2020, was comprised of:

	December 31, 2021 $	December 31, 2020 $
Salaries and accrued salaries	**1,375,583**	1,527,787
Bonuses in accrued liabilities	**—**	560,000
Share based compensation	**1,821,286**	1,957,875
Total compensation of key management personnel	**3,196,869**	4,045,662

Critical Accounting Estimates and Judgments

The preparation of the Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Management considers the areas described in Note 4 of the Financial Statements to be the most critical in understanding the judgments and estimates that are involved in the preparation of the Company's Financial Statements and the uncertainties that could impact its results of operations, financial condition, and cash flows.

Changes in Accounting Policies Including Initial Adoption

The Company has not identified any new accounting standards that would be applicable and are not yet effective that would have a material impact on the Company.

Financial Instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Derivatives	Fair value through profit or loss
Security deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Interest payable	Amortized cost
Loans and borrowings	Amortized cost

The fair values of cash and cash equivalents, accounts receivable, security deposits, accounts payable and accrued liabilities and interest payable approximate their carrying amounts due to the short-term maturity of those instruments.

The Company entered the Derivatives to offset the future foreign exchange impact of the principal and interest payments on the US$8.0 million Debenture. Refer to Note 16 in the Financial Statements for more information on the Derivatives.

Loans and borrowings were incurred to fund upgrades of the Delta Facility and general operations. Refer to Note 15 in the Financial Statements for more information on loans and borrowings.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk, interest rate risk and foreign exchange risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on its cash and cash equivalents, accounts receivable, security deposits and the Derivatives. The carrying amount of these assets represent the maximum credit exposure.

The Company limits exposure to credit risk by maintaining its cash and cash equivalents and security deposits with institutions of high credit worthiness.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into arrangements with reputable and stable counterparties and frequent reviews of exposure to individual entities. With regards to receivables, the Company is not exposed to significant credit risk as the majority of the Company’s sales and trade receivables are with government bodies and crown corporations.

An impairment analysis of receivables is performed at each reporting date and the balances are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan and a change in the commercial terms associated with the balance held.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue debt or additional common shares to ensure that there is cash available for its programs.

Current liabilities, being accounts payable and accrued liabilities, interest payable, the current portion of lease liabilities and the current portion of loans and borrowings are payable within one year and are to be funded from cash. Long term liabilities consist of the non-current portion of lease liabilities and the non-current portion of loans and borrowings.

Interest rate risk

Interest rate risk is the risk the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's debt is held at a fixed interest rate and no significant interest rate risk applies.

Foreign exchange risk

The Company and its subsidiaries conduct certain transactions denominated in currencies other than the functional currency of the Company (United States dollars and Euros). Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

The Company's main risk is associated with the impact of fluctuations in US$ exchange rates on the Debenture. The Company entered several foreign exchange swap contracts (referred to as the Derivatives) to offset the future exchange impact of the principal and interest payments on the Debenture. The Company has not included the impact of foreign exchange on the US$ Debenture in the analysis below as it is mitigated by the purchase of the Derivatives.

For the year ended December 31, 2021, the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		December 31, 2021		December 31, 2020
Cash		**528,510**		9,641
Accounts payable and accrued liabilities		**(176,546)**		(404,164)
Interest payable		**(260,000)**		—
	US$	**91,964**	US$	(394,523)

A 10% change of the US$ against the CAD$ would have increased net loss by $11,659 (December 31, 2020: $50,231).

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – Financial Instruments; Fair Value Measurement ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

There were no transfers within the fair value hierarchy during the year ended December 31, 2021.

The fair value of the Derivatives were determined using prices obtained from the Company's foreign exchange broker on the measurement date. These fair value measurements have been categorized as Level 2 on the fair value hierarchy.

Capital Management

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders. Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing market conditions. In doing so, the Company may issue new shares or refinance existing long-term debt. Annual budgeting is the primary tool used to manage the Company's capital. Updates are made as necessary to both capital expenditure and operational budgets in order to adapt to changes in risk factors, proposed expenditure programs and market conditions.

Risks and Uncertainties

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive. Investing in the Company's common shares involves significant risks. The Company may face additional risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner. Many factors could cause the Company's results of operations, performance and financial condition to differ materially from those expressed or implied by the forward-looking statements and forward-looking information contained in this MD&A.

Risks Generally Related to the Company

Public Health Crises, Including COVID-19

A local, regional, national, or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for the Company's products. COVID-19 could affect the Company's ability to conduct its operations and may result in temporary shortages of staff to the extent its work force is impacted. Such an outbreak, if uncontrolled, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including lost revenue and our ability to obtain financing on favourable terms (if at all).

The COVID-19 pandemic may also impact the opening of stores in Canada, purchases at existing stores, and provincial purchasing relationships. The Company's business is dependent on a number of key supply chains which could be adversely disrupted by a number of factors including, among others, major health issues or pandemics. The ultimate extent of the impact of COVID-19 or any epidemic, pandemic or other health crisis on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 or any other such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread. These factors are beyond our control, may adversely affect us, our customers and our suppliers or cause disruptions to their and our businesses and may impact their ability to supply us or our ability to supply them.

The Company has a limited operating history, a history of losses and the Company cannot assure profitability

The Company has been incurring operating losses and cash flow deficits since the inception of such operations, as it attempts to create an infrastructure to capitalize on the opportunity for value creation that is emerging from the legalization of recreational cannabis in Canada. The Company's lack of operating history makes it difficult for investors to evaluate the Company's prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, especially given the Company's lack of an operating history, there is no assurance that the Company will be successful, and the likelihood of success must be considered in light of its relatively early stage of operations.

Uncertainty about the Company's ability to continue as a going concern

The Company has not yet generated sufficient revenue from its primary asset to cover all the costs of operations. The Company's ability to continue as a going concern is dependent upon its capability to grow its revenue or reduce its cost based to achieve self-sustaining operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all.

Price Compression in the Cannabis Industry

The cannabis industry has experienced, and continues to experience, price compression, which may adversely impact the Company's profitability. In addition, such price compression, as well as, or together with, the oversupply of certain types of inventory in the industry, may result in the Company incurring additional impairment losses on inventory in the event the cost of our inventory exceeds its net realizable value. The continuing evolution of these market conditions represent ongoing uncertainties that may affect the Company's future financial results.

The adult-use recreational cannabis market in Canada may become oversupplied

The Company and other cannabis producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian market, and the Company may be unable to export that oversupply into other jurisdictions where cannabis use is fully legal under all applicable laws of such jurisdictions. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If this were to occur, there is no assurance that the Company would be able to generate sufficient revenue from the sale of adult-use recreational cannabis to result in profitability.

There is no assurance that the Company will turn profits or pay dividends

There is no assurance as to whether the Company will be profitable or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

In the event that any of the Company's historical investments or operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such historical investments or operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions, or subsequently repatriate such funds back to Canada.

The Company had negative operating cash flow for the financial years ended December 31, 2021 and December 31, 2020

The Company had negative operating cash flow for the financial years ended December 31, 2021, and December 31, 2020. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

There are no assurances the Company's sales channels will remain accessible or that distributors will keep the Company's product listings, which if lost will impact the Company's ability to generate revenue

The Company maintains supply agreement with each province in which it sells cannabis as well as with private distributors to deliver it products to retailers and consumers. These provincial entities and private distributors review and list the products they wish to sell in their market. While the Company maintains agreements in all major markets across Canada there are no guarantees these contracts are renewed or that these entities maintain or grow the number of product listings they currently have with the Company. Should any contract be cancelled, or any product be de-listed, there may be negative impacts on the Company's ability to sell and monetize its inventory.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company has experienced some changes in its operating plans and certain delays in the timing of its plans. As a result, the Company's revenue, net income, and cash flow may differ materially from the Company's projected revenue, net income, and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance, and operations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition, and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the

Company. The Company's efforts to grow its business may be more costly than expected, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

Refinancing debt on the Delta Facility

The Company currently has US$8,000,000 of debt outstanding secured against the Delta Facility which matures June 29, 2023. In addition, Canacur has provided the Company an advance payment for product, which is secured against the Delta Facility behind the Debenture, $230,576 of which remains outstanding. This Canacur debt must be repaid by delivery of product, or failing such, by repayment in cash on demand. Upon maturity of the debt, there can be no certainty that refinancing will be available at terms acceptable to the Company, or at all.

Facility Optimization and Expansion

The optimization of the Delta Facility is subject to various potential problems and uncertainties and such optimization may be delayed or adversely affected by a number of factors beyond Rubicon Organics' control. These uncertainties include the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of the optimization may exceed the amount budgeted. As the result of delays, cost overruns, changes in market circumstances or other factors, Rubicon Organics may not be able to achieve the intended economic benefits from the optimization of the Delta Facility, which in turn may affect Rubicon Organics' business, prospects, financial condition, and results of operations. In addition, any future expansion of the Delta Facility is subject to Health Canada regulatory approvals. The delay or denial of such approvals may have a material adverse impact on the business of Rubicon Organics and may result in Rubicon Organics not meeting anticipated or future demand when it arises.

There are factors which may prevent the Company from the realization of growth targets

The Company is currently in the stage of expansion from early development. There is a risk that business objectives will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "*Risk Factors*" and the following:

- price compression
- reliance on the Delta Facility as the sole facility for its Canadian operations;
- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- the Company's ability to successfully withstand the economic impact of COVID-19, including staffing of the Delta Facility and the launch of the Company's new brands and products into new provinces and associated revenue;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities;
- major incidents and/or catastrophic events such as fires, explosions, pandemics, or storms; and

- labour shortages and supply chain disruptions caused by global geopolitical events or pandemics.

Reliance on Licenses

The continuation of Rubicon Organics' business of growing, storing, and distributing medical and recreational cannabis is dependent on the good standing of all licenses required to engage in such activities and upon adhering to all regulatory requirements related to such activities. Effective January 26, 2022, the Company renewed its Health Canada licenses. The Health Canada licenses are valid until January 26, 2027, at which point, RHC must apply to Health Canada for renewal. Failure to comply with the requirements of the licenses or any failure to maintain the licenses would have a material adverse impact on the business, financial condition, and operating results of Rubicon Organics. Although Rubicon Organics believes it will meet the requirements of the Cannabis Act for future extensions or renewal of the licenses, there can be no guarantee that Health Canada will extend or renew the licenses or that, if extended or renewed, the licenses will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the licenses, or should it renew the licenses on different terms, the business, financial condition, and results of operations of Rubicon Organics could be materially and adversely affected.

The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business, financial condition, and results of operations

The Cannabis Act, and related ancillary amendments to other legislation, came into effect October 17, 2018. As a result, the Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage, and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations, and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. The Company endeavours to comply with all relevant laws, regulations, and guidelines.
The Cannabis Act may also materially and adversely affect the future business, financial condition, and results of operations of the Company, as, among other things, the legislation permits home cultivation, and implements restrictions on advertising and branding. It is possible that such developments could significantly adversely affect the future business, financial condition, and results of operations of the Company.

Valuation of cannabis plants

Pursuant to IFRS, the Company measures the value of its cannabis plants using the income approach at fair value less costs to sell up to the point of harvest. As market prices are generally not available for cannabis plants while they are growing, the Company is required to make assumptions and estimates relating to, among other things, future plant yields, cannabis prices and production costs. The assumptions and estimates used to determine the fair value of the cannabis plants, and any changes to such prior estimates, directly affect the Company's reported results of operations. If actual yields, prices, costs, market conditions or other results differ from the Company's estimates and assumptions, there could be material adjustments to the Company's results of operations.

The Company may not be able to develop its products, which could prevent it from ever becoming profitable

If the Company cannot successfully develop, manufacture, and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

Organic Certification and Products

The Company believes that organic products will command a higher price in the marketplace and has completed an organic certification process with FVOPA, a leading organization in organic certification in Canada. FVOPA provides inspection and certification for sustainable development and maintains organic standards on products, systems, and services. The certification process generally includes validation of inputs, production methods and preparation procedures in accordance with Canadian organic product regulation. Organic certification aims to guarantee the organic integrity of products throughout the entire production chain. Failure to maintain the organic standards may have an adverse effect on the market price of the Company's products.

International Sales Channels and Certification

If the Company cannot successfully meet and maintain its EU-GMP certification, or other similar required certifications for export, and its export permit obligations with regulators, the Company would not be able to export its products internationally, which may have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition. Exported product may not be accepted by the receiving country due to various reasons including a failure to adhere to import regulations or unacceptable product specifications unique to that jurisdiction. The rejection and return of the Company's product from a foreign jurisdiction may impact the results of operations and financial condition of the Company.

The Company may not be able to maintain its TSX-V listing requirements

The Company must maintain the listing requirements of the TSX-V to continue being listed. The inability to meet or maintain these listing requirements could adversely affect the results of the Company's operations or its financial condition.

The Company may be unable to adequately protect its proprietary and intellectual property rights

The Company's ability to compete may depend on the superiority, uniqueness, and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names;
- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products;
- the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages;
- the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any of its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Company develops;
- another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or

- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities, and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that may not be legal in some foreign jurisdictions and the specifics of which may be unfamiliar to or misunderstood by courts, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

Further, the production of substances for use or consumption by humans can result in product liability claims by consumers. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against the Company. The Company may not be able to obtain or maintain adequate insurance or other protection against potential liabilities arising from product sales. Product liability claims could also result in negative perception of the Company's products or other reputational damage which could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The Company's operations are subject to environmental regulation in the jurisdictions in which it operates

These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage, and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require more strict standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government environmental approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company faces competition from other companies where it will conduct business that have higher capitalization, and may have more experienced management or be more mature as a business

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results, and financial condition. In addition, despite Canadian federal legalization of marijuana, illicit or "black-market" operations remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company must comply with to conduct business, and accordingly may have significantly lower costs of operation.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, technical experts, and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.
Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of our employees.

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

The Company's industry is experiencing growth and consolidation that may cause the Company to lose key relationships and intensify competition

The cannabis industry is undergoing growth and substantial change, which has resulted in an increase in competitors, consolidation, and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

The Company may continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders

The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of holders of Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties, complexities, and costs associated with such insurance coverage

The Company believes that it and its subsidiaries currently have insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. There is no assurance that the Company will be able to obtain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary. Additionally, the Company may experience losses that our insurance policies have specific exclusions for or events that the Company is unable obtain insurance at reasonable pricing, such as flood insurance for the Delta Facility, for resulting in losses having material adverse effects.

Obtaining new strains and developing new product offerings may not be successful or aligned to consumer demands

While the Company has proven to be successful at acquiring and growing new strains, there is no guarantee the Company will continue to be able to acquire and cultivate new strains in the future. Furthermore, there is no certainty that the selected strains and new products offerings will have sufficient consumer demand to be sold for a profit, if at all. An inability to access new strains or innovate new products, which delight consumers may results in depressed sales, product returns, inventory write-offs, and other adverse impacts on the Company's operations.

The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others

The Company's future business involves the growing of marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production. There is also no guarantee that natural elements will not impact the health, yield, consistency, or consumer appeal of product.

The cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks

In order for customers of the Company to receive their product, the Company relies on third party transportation services. This can cause logistical problems and delays in customers obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's reputation and financial performance.

Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financials, and prospects. Any such breach could impact the Company's future ability to continue operating under its licenses or the prospect of renewing its licenses.

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant number of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operational results

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, and operating results of the Company.

The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research is new to Canada and has been restricted in some international jurisdictions

Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in its early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports, and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, and results of operations.

Under Canadian regulations, a licensed producer of cannabis has restrictions on the type and form of marketing it can undertake which could materially impact sales performance

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other highly regulated industries, including significant limitations on promotion. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete, and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks

The Company has entered into agreements with third parties for hardware, software, telecommunications, and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, pandemics, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws

Given the nature of the Company's product and its lack of legal availability outside of appropriately licensed channels, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time-to-time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

We have expanded and intend to further expand our business and operations into jurisdictions outside of Canada, and there are risks associated with doing so

We are expanding our operations and business into jurisdictions outside of Canada, but there can be no assurance that any market for our products will develop in any such foreign jurisdiction. The continuation or expansion of our operations internationally will depend on our ability to renew or secure the necessary permits, licenses, or other approvals in those jurisdictions. An agency's denial of or delay in issuing or renewing a permit, license, or other approval, or revocation or substantial modification of an existing permit or approval, could prevent us from continuing our operations in or exports to other countries.

Operations in non-Canadian markets may expose us to new or unexpected risks or significantly increase our exposure to one or more existing risk factors. In addition, we are subject to a wide variety of laws and regulations domestically and internationally with respect to the flow of funds and product across international borders and the amount of medical cannabis we export may be limited by the various drug control conventions to which Canada is a signatory.

While we continue to monitor developments and policies in the emerging markets in which we operate and assess the impact thereof to our operations, such developments cannot be accurately predicted and could have an adverse effect on the Corporation's business, operations, or profitability.

Changes in the public's perception of medical and/or adult-use cannabis could increase future regulation

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, or elsewhere. A negative shift in the public's perception of cannabis in any applicable jurisdiction could affect future legislation or regulation. Any inability to fully implement the Company's expansion and sales strategies may have a material adverse effect on the Company's business, financial condition, and results of operations.

In certain circumstances, the Company's reputation could be damaged

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

The Company targets, among other segments, the premium adult-use cannabis market, which may not materialize, or in which the Company may not be able to develop or maintain a brand that attracts or retains customers

The Company targets users of cannabis in the Canadian adult-use cannabis market who are looking for premium products; however, such a market may not materialize or be sustainable. If this premium market does materialize, the Company may not be successful in creating and maintaining consumer perceptions of the value of premium products. The promotion of cannabis is strictly regulated in Canada. For example, promotion is largely restricted to the place of sale and subject to prescribed conditions set out in the Cannabis Act, the Cannabis Regulations and Further Regulations. Among other restrictions, the Cannabis Act prohibits testimonials and endorsements, lifestyle branding and promotion that is appealing to young persons. Such restrictions on advertising, marketing and the use of logos and brand names, and other restrictions on advertising imposed by Canadian federal or provincial laws or regulations, or similar regulations imposed in other jurisdictions, may prevent the Company from creating and maintaining consumer perceptions in the value of its premium products and establishing itself as a premium producer. If the Company cannot successfully compete in the premium market, the Company may face significant challenges in gaining or maintaining a market share in Canada or in other cannabis markets in which it operates, or it may be forced to sell products at a lower price, which may materially adversely affect results of operations.

Necessary security clearances take time to obtain and may impact the Company's ability to attract and retain board members and officers

The Cannabis Act and Cannabis Regulations require several individuals to obtain and maintain a valid security clearance, including directors, officers, and large shareholders of the Company. A security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the Company's existing directors and officers who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. Prospective qualified directors or officers may be deterred from accepting appointments to positions in the cannabis industry that require security clearances due to the onus of the lengthy application process and uncertainty that a security clearance will be granted at all. Inability to attract and retain such qualified directors and officers may result in a material adverse effect on the Company's business, operating results, financial condition, or prospects.

The Company may not be able to enforce its legal rights

One director of the Company, David Donnan, resides outside of Canada, in the US. Although he has appointed Borden Ladner Gervais LLP as his agent for service of process in Canada, it may not be possible for investors to enforce judgments in Canada against him.

There is no certainty the Company will be able to achieve its Environmental, Social and Governance ("ESG") targets

While the Company has incorporated certain ESG objectives into its strategic plan it may not be economically feasible to execute the desired changes to the business. The Company's inability to achieve its ESG objects may have effects on its social license to operate, brand equity, and corporate identity, which could have knock on impacts to operations, hiring, and the sale of product.

Macroeconomic and other geo-political risks

The Company's business is subject to risks associated with adverse economic conditions in Canada and globally, including economic slowdown, inflation and the disruption, volatility and tightening of credit and capital markets. Increases in unemployment rates, tax increases, governmental spending cuts or a return of high levels of inflation could adversely affect consumer spending patterns and result in a reduction in consumption of cannabis products in Canada and elsewhere in the world, including the Company's products. The Company's business, prospects, financial condition, results of operations and prospects may suffer as a result. These conditions could also worsen cash flows, liquidity, and access to capital for the Company and cause other financial hardships for the Company and its suppliers, distributors, retailers, and clients, thereby adversely impacting the Company's ability to produce and distribute its products. In addition, natural disasters, pandemic outbreaks, boycotts, civil unrest (including recent protests in Canada, the U.S. and abroad) and other geo-political disruptions could adversely affect the Company. These events may damage the Company's properties, deny the Company access to an adequate workforce, increase the cost of energy and other raw materials, temporarily or permanently close the Company's facilities, disrupt the production, supply and distribution of the Company's products, and disrupt the Company's information systems.

The cost of compliance and ability to working with unsophisticated individuals and entities may adversely impact the Company

The market for cannabis products is highly volatile. Many entities and persons operating in the industry were formerly involved in the illegal market. Some still are, and many operate in unconventional ways. Some of these unconventional ways, which represent challenges to the Company, include not keeping appropriate financial records, inexperience with business contracts, not having access to customary business banking relationships, not having quality manufacturing relationships, and not having customary distribution arrangements. They may not be accustomed to entering into written agreements or keeping financial records according to Generally Accepted Accounting Principles. These entities and persons may not pay attention to obligations to which they have agreed in written contracts. Therefore, it may become challenging for the Company to enter into more complex commercial transactions, which could limit the Company's growth or otherwise adversely affect the Company. Any one of these challenges, if not managed, could adversely impact the Company. These challenges may also increase the cost of the Company's operations in the near-term.

Risks regarding vaping products

During the second quarter of 2021 the Company made Simply Bare™ Organic branded PAX® pods available for distribution in Canada. The Company also intends to launch other vaping related products in the future. In Canada and the US there have been public warnings to stop using certain vaping liquids containing cannabis derivatives and ingredients, such as CBD and THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. Reported lung injuries associated with the use of cannabis derivative containing vaping liquids have resulting in certain provinces either banning or delaying the sale of vaping liquids and vaping products to consumers. In response, Health Canada issued an information update advising Canadians who use cannabis derivative containing vaping liquids to monitor themselves for symptoms of pulmonary illness. There may be further governmental and private sector actions aimed at reducing the sale of or prohibiting cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. These actions, combined with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for the Company's vaporizer products. Federal, provincial, and local regulations or actions that prohibit or restrict the sale of the Company's vaporizer products including cannabis derivative vaping liquids, or that decrease consumer demand for the Company's products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the Company's business, financial condition, results of operations and prospects.

Environmental and employee health and safety regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to develop and maintain an effective system of internal controls increases the risk that we may not be able to accurately and reliably report our financial results or prevent fraud, which may harm our business, the trading price of our Common Shares and market value of other securities

The Company maintains a system of internal controls over financial reporting ("ICFR") to ensure the Company's financial reporting is reliable and that its financial statements have been prepared in accordance with IFRS. Regardless of how well controls are designed, internal controls have inherent limitations and can only provide reasonable assurance that the controls are meeting the Company's objectives in providing reliable financial reporting information in accordance with IFRS. Effective internal controls are required for us to provide reasonable assurance that our financial results and other financial information are accurate and reliable. Any failure to design, develop or maintain effective controls, or difficulties encountered in implementing, improving or remediation lapses in internal controls may affect our ability to prevent fraud, detect material misstatements, and fulfill our reporting obligations. As a result, investors may lose confidence in our ability to report timely, accurate and reliable financial and other information, which may expose us to certain legal or regulatory actions, thus negatively impacting our business, the trading process of our Common Shares and market value of other securities.

Participants in the cannabis industry may have difficulty accessing the service of banks and financial institutions, which may make it difficult for us to operate

Because cannabis remains illegal federally in the United States, Canadian banks and financial institutions with U.S. affiliations remain wary of providing services to businesses in the cannabis industry, as the associated funds may technically be considered proceeds of crime in the U.S. Consequently, businesses involved in the cannabis industry continue to have trouble establishing banking infrastructure and relationships. The inability or limitation on our ability to open or maintain a bank account, obtain other banking services, or obtain business services may make it difficult to operate and conduct business.

Risk Factors Specifically Related to the U.S. Regulatory System

The Company no longer performs any ancillary services to the cannabis industry in the U.S and has exited the U.S. entirely, therefore the Company expects it has reduced the risks associated with cannabis in the U.S. described below.

Cannabis is Illegal under U.S. Federal Law

The Company previously had agreements for brand licensing, consulting services and facilities leasing with licensed processors and producers in Washington (and previously in California). Although these activities are permitted by state law in the states where the Company was engaged in business, directly or with agreements with licensed entities, these activities remain illegal under federal law. Marijuana remains a Schedule I controlled substance under the federal CSA, and the penalties for violating the federal CSA are very serious and, depending on the quantity of marijuana involved, may include criminal penalties of up to life in prison and a fine of up to U.S.$50,000,000 on a first offense[8]. In addition, the federal government can seize and seek the civil forfeiture of the real or personal property used to facilitate the sale of marijuana as well as the money or other proceeds received in connection with such sale.

Some of the Company's historical business activities are illegal under U.S. federal law

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and drug paraphernalia is illegal. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

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[8] Title 21 United States Code (USC) Controlled Substances Act; Part D of Subchapter I

Because the possession and use of cannabis and drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to have historically been aiding and abetting illegal activities through the contracts it entered into and the products and services that it provided. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, a claim regarding the Company aiding and abetting another's criminal activities. The federal aiding and abetting statutes provide that anyone who "commits an offense against the U.S. or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." Prosecution under U.S. Federal law would have a material negative effect on the Company's business and operations. The enforcement of relevant U.S. federal laws is a significant risk.

Investors in the Company and the Company's directors, officers and employees may be subject to entry bans into the U.S.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in state licensed U.S. cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis U.S. businesses. Given the Company no longer has any ancillary cannabis business in the US this risk is expected to be low. Entry happens at the sole discretion of U.S. Customs and Board Protection ("**CBP**") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the US. Business or financial involvement in the legal cannabis industry in Canada or in the U.S. could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the US. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal, or Canada may affect admissibility to the US. As a result, CBP has affirmed that, employees, directors, officers, managers, and investors of companies involved in business activities related to cannabis in the U.S. or Canada (as the Company historically has been), who are not U.S. citizens face the risk of being barred from entry into the U.S. for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the US; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

Risks Related to the Company's Securities

The Company's securities have not been registered under the U.S. Securities Act
The Common Shares have not been, and may never be, registered under the U.S. Securities Act or under applicable state or foreign securities laws. In addition, subscribers may be unable to deposit Rubicon Organics securities with a U.S. brokerage house.

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control
The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Common Shares;

- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by, or involving, U.S. entities or the Company's competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;
- impacts from pandemics or other major global events such as the COVID-19 pandemic;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; and
- regulatory changes in the industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely affected and the trading price of the Common Shares might be materially adversely affected.

The Company does not anticipate paying dividends
The Company's current policy is to retain earnings to finance the development and enhancement of the Company's products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of the Company's earnings, financial condition, and other relevant factors. Until the time that the Company does pay dividends, which the Company may never do, the Company's shareholders will not be able to receive a return on their Common Shares unless they sell them.

Dilution to Common Shares
The increase in the number of Common Shares issued and outstanding as a result of public offerings, may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares, the ownership of the business and voting power of the Company's existing shareholders will be diluted.

Loss on Dissolution or Termination of the Company
Upon the dissolution and termination of the Company, the proceeds realized from the liquidation of assets, if any, will be distributed to the shareholders only after the claims of all creditors have been satisfied. Accordingly, the ability of a shareholder to recover all or any portion of its investment under such circumstances will depend on the amount of funds so realized and the claims to be satisfied from such funds.

Conflicts of Interest

To the best of our knowledge, there are no known existing or potential material conflicts of interest among us and our directors, officers or other members of Management as a result of their outside business interests except that certain of our directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director, officer or advisor of such other companies.

Cautionary Note Regarding Forward-Looking Statements

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "if", "expects", "estimates", "may", "could", "should", "will", "intends" and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking statements are based on certain assumptions and analyses made by the Company considering the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) information or statements concerning the Company's expectations of financial resources availability to fund operations; (ii) obtaining the necessary regulatory approvals; (iii) that regulatory requirements will be maintained; (iv) general business and economic conditions; (v) the Company's ability to successfully execute its plans and intentions; (vi) the Company's ability to obtain financing at reasonable terms though the sale of equity and/or debt commitments; (vii) the Company's ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company's competitors; (x) that our current good relationships with our suppliers, service providers and other third parties will be maintained; and (xi) the impact of the current global health crisis caused by COVID-19 pandemic.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: general risks associated with the COVID-19 global pandemic, the legal status of cannabis cultivation, distribution and sales in Canada; changes in general economic conditions and conditions in the financial markets; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; uncertainty about the Company's ability to continue as a going concern; risk that the Company will not obtain or retain any relevant licenses; technological and operational difficulties encountered in connection with the Company's activities; changing foreign exchange rates and other matters discussed in this MD&A.

The global pandemic related to an outbreak of the COVID-19 novel coronavirus disease has cast uncertainty on the Company's assumptions. There can be no assurance that they continue to be valid. Given the rapid pace of change, it is premature to make further assumptions about these matters. The COVID-19 outbreak was declared a pandemic by the World Health Organization in 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. These impacts could include an impact on our ability to maintain operations, to obtain debt and equity financing, access to necessary supplies, credit risk associated with our accounts receivable, impairments in the value of our long-lived assets, or potential future decreases in revenue or the profitability of our ongoing operations. The Company continues to work diligently to ensure operations continue and product is delivered while continuing to emphasize the safety of our product and employees.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Many of the factors are beyond our control. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. We disclaim any intention and assume no obligation to update any forward-looking statements even if new information becomes available, as a result of future events, new information, or for any other reason except as required by law. These forward-looking statements are made as of the date hereof. Additional information related to us is available by accessing the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

Additional Information

Additional information related to the Company is available on the Company's website at www.rubiconorganics.com and through its public filings on www.sedar.com.

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